



***Andrew Junkin, CFA, CAIA  
Managing Director & Principal***

April 27, 2011

Dr. George Diehr  
Chair of the Investment Committee  
California Public Employees' Retirement System  
400 Q Street  
Sacramento, CA 95814

Re: Interim Asset Allocation Targets

Dear Dr. Diehr:

You requested Wilshire's opinion with respect to the interim asset allocation targets as proposed by CalPERS' Staff.

### **Recommendation**

**Wilshire recommends that the Investment Committee approve the interim targets.**

### **Discussion**

In December, the Investment Committee adopted a new asset allocation. While several of the changes involve liquid asset classes (Global Fixed Income, Liquidity, Inflation) that could be easily transitioned from the old target allocation to the new target allocation, the Infrastructure/Forestland target of the asset allocation is increasing and will need time for Staff to make additional investments. From the effective date of the first interim target, the targets will adjust over one year to the newly adopted targets. Wilshire feels that this provides a reasonable timeframe for Staff to make additional investments, without forcing purchases of less desirable assets or at prices that may not be suitable.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

A handwritten signature in black ink, appearing to read 'Andrew Junkin', written in a cursive style.